

<p align="center">2003-2004 ANNUAL REPORT</p>

SPECIAL REVENUE FUNDS (CONT'D.)

Benefit Funds

The Benefit Funds consist of the Dental Insurance, Life Insurance, Unemployment Insurance, and Benefit Fund. These funds account for the provision and financing of benefits to City employees, retirees, and their dependents.

Introduction

The Benefit Funds are designed to generate revenues sufficient to cover administrative costs, anticipated claims, expenditures and the claims reserve for each fund when applicable. Benefit rates are then determined to produce the necessary revenues to cover the projected costs.

These funds are not designed to carry significant unrestricted fund balances, though they do carry adequate claims reserves. Therefore, when unrestricted fund balances are realized as a result of higher revenues than expenditures in a particular year, the budgets for the following year are developed with the intention of reducing those balances through downward rate adjustments. Conversely, rates are increased to augment claims reserves as needed.

Benefit Funds

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 55,828	\$ 55,907	\$ 79	0.1%
<i>Expenditure</i>	57,717	55,734	1,983	3.4%
<i>Fund Balance (est. *)</i>	5,316 *	5,399	83	1.6%

Overview of 2003-2004 Activity by Fund

- Dental Insurance Fund: Revenues were above the modified budget by 2% or \$229,000 due to higher than anticipated participation activity from retirees and part-time employees in the dental plan. Expenditures were below budget by \$575,000. The positive expenditure variance reflects claims costs which were lower than anticipated for the Delta Dental Plan, and lower than expected expenditures for the prepaid dental plan. The fund balance exceeded estimated levels by \$21,000 due primarily to the lower than anticipated claims costs associated with the Delta Dental Plan and slightly higher interest earnings.

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SPECIAL REVENUE FUNDS (CONT'D.)

Benefit Funds (Cont'd.)

- Life Insurance Fund: Revenues ended the year higher than the budgeted level by 13% or \$96,000. Higher than anticipated transfers from other funds and participant contributions were partially offset by lower than anticipated interest income. Expenditures were \$28,000 or 2% lower than budgeted. The variance in expenditures was mainly due to savings in the Non-Personal/Equipment appropriation and life insurance premiums. The fund balance was slightly higher than estimated (\$19,000) primarily due to lower than estimated expenditures.
- Unemployment Insurance Fund: Revenues ended the year slightly above the modified budget level by 3% or \$58,000. Revenues were higher than anticipated due to slightly higher than anticipated transfers from other funds and interest income. Expenditures were below the modified budget level by 14% or \$149,000. Expenditures were below budgeted levels primarily due to lower than anticipated unemployment claims. The fund balance exceeded estimated levels by \$130,000, reflecting the lower claims level.
- Benefit Fund: Revenues and expenditures within this fund represent the amount City departments contribute to several specific employee benefits. Health coverage is the largest of the benefits, but also included are revenues and expenditures for Municipal Employees Federation legal assistance, Operating Engineers Local 3 vision care, FICA-Medicare payments, PTC-457 Program which include part-time and contractual employee defined contribution retirement plan contributions, General Employee Vision and Employee Assistance Program counseling.

Revenues ended the year below the modified budget level by 3% or \$1.3 million and expenditures were lower than anticipated by 3% or \$1.5 million. This is primarily due to lower than budgeted revenues and expenditures related to health coverage, FICA-Medicare payments, PTC 457 payments, General Employee Vision payments and a timing difference for when the revenues are received from other funds and when the payments are made.

The fund balance was only slightly below the estimated level (\$87,000). This reflects the combined impact of lower than estimated expenditures and lower than anticipated revenues.